GOVERNMENT DIRECTION FOR 2015-16

Government Direction for 2015-16: KEEPING SASKATCHEWAN STRONG

Saskatchewan's vision is to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

Four goals set the Government's direction for the province. They include: sustaining growth and opportunities for Saskatchewan people, meeting the challenges of growth, securing a better quality of life for all Saskatchewan people and delivering responsive and responsible government.

Saskatchewan people are determined. They're strong.

They tackle adversity head on.

The recent and substantive drop in the price of oil has impacted provincial revenue. But it has not diminished the resolve within Saskatchewan. Sound fiscal management will continue to be the foundation of a resilient economy and a strong province.

Governments do not drive the economy.

However, by making sound decisions governments can create the right conditions for economic growth.

Budget 2015-16 invests in people and in the infrastructure necessary to keep Saskatchewan strong.

Growth is pursued so that investments made in people and in building the province make living in Saskatchewan steadily better, year after year.

It's a virtuous cycle: a growing province means a better quality of life and a better quality of life attracts more people to our growing province.

A GROWING PROVINCE

The province's population continues to grow.

Close to 1.13 million people call this province home – the most ever.

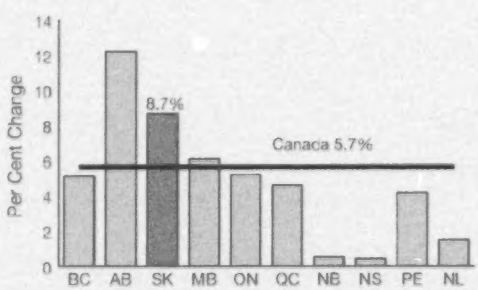
It is an increase of over 18,000 in one year and over 130,000 in the past eight years – a turnaround from the years when Saskatchewan's population declined.

The province is on track to reach the population target of 1.2 million people by 2020 as set out in 2012 in the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*.

Statistics Canada predicts the population of the province could exceed 1.5 million by 2038.

Saskatchewan's population has grown by 8.7 per cent over the 2009 to 2014 period, the second highest growth in the country, well above the 5.7 per cent national average.

POPULATION GROWTH BY PROVINCE (2009 TO 2014)



Source: Statistics Canada

The Saskatchewan motto, "From Many Peoples Strength," continues to ring true. The basic fact that more people are living in Saskatchewan than ever before is perhaps the best indicator of the province's residual strength.

A growing population means that while Government spending must be carefully managed, there is a continuing need for investment into priorities like health care, education and for those most vulnerable.

Growth also drives the need to invest in infrastructure, in highways, schools and health care facilities, power lines, telecommunications networks and energy infrastructure; all part of meeting the challenges of growth and the investment needed to keep Saskatchewan strong.

ECONOMIC RESILIENCE

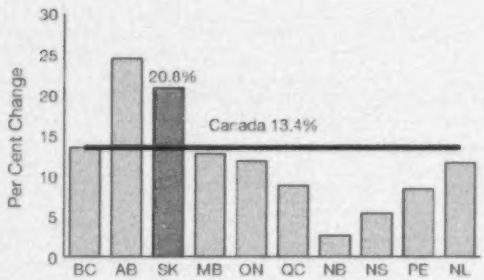
Saskatchewan's real Gross Domestic Product (GDP) is expected to grow 1.4 per cent in 2014 – reflecting a return to a more normal crop year following the bumper crop of 2013.

GDP forecasts show modest growth of 0.8 per cent in 2015, largely because of the impact of the drop in the price of oil, followed by a return to a higher growth projection of 2.4 per cent in 2016.

While real GDP growth is projected to be lower in 2015, it follows several years of higher growth. It is growth on growth.

Saskatchewan's real GDP has grown by 20.8 per cent from 2009 through 2014, the second highest rate of growth among all provinces.

REAL GDP GROWTH BY PROVINCE (2009 TO 2014)



Sources: Statistics Canada, 2014 data based on private sector forecast average

Saskatchewan's diversified economy ensures it is well positioned to weather an economic storm just as it did in 2009-10, when low global commodity prices also affected provincial revenue.

Saskatchewan has economic resilience and diversity, strength in many sectors, including; agriculture, manufacturing and resources like oil and gas, potash and uranium.

The recently released *Fraser Institute Annual Survey of Mining Companies: 2014* placed Saskatchewan as the most attractive jurisdiction for mining in Canada, and second in the world behind only Finland.

The annual survey rates 122 jurisdictions around the world based on geologic attractiveness and the extent to which government policies encourage exploration and investment.

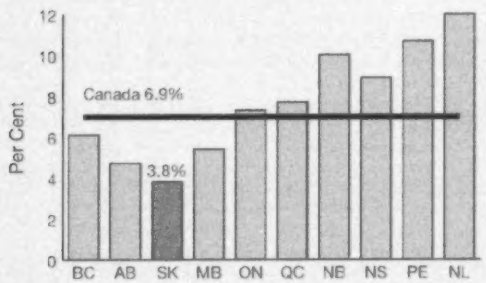
Saskatchewan again set a record for international exports in 2014 at $35.1 billion, making Saskatchewan the largest per capita exporter in the country for the second straight year.

Saskatchewan also remained the top agriculture and agri-food exporter in Canada. Agriculture and agri-food exports to 153 countries around the world were $13.9 billion in 2014, an increase of 19 per cent from the previous year.

Saskatchewan's manufacturing sales increased by 5.3 per cent in 2014 and over the 2009 to 2014 period, manufacturing sales in the province rose by 46.7 per cent, the strongest growth among provinces and well above the national average of 27.4 per cent.

Employment growth in Saskatchewan remained strong in 2014, as the province maintained the lowest average unemployment rate in Canada, at 3.8 per cent and 5,600 more jobs were created – positioning Saskatchewan to meet its employment growth target of 60,000 more people by 2020, set out in 2012 in the *Plan for Growth*.

UNEMPLOYMENT RATE BY PROVINCE IN 2014



Source: Statistics Canada

Average weekly earnings for Saskatchewan people increased by 3.2 per cent in 2014, to $976.08, 4.4 per cent higher than the national average.

More detailed economic information is provided in the economic overview technical paper beginning on page 33.

FISCAL RESPONSIBILITY

The foundation of the *Plan for Growth* is fiscal responsibility.

Even with Saskatchewan's many strengths, balancing the 2015-16 Budget presented a challenge due to the substantive drop in the price of oil.

The lower oil price means projected revenue from oil is down $661.0 million in the 2015-16 Budget compared to last year's budget.

Difficult but sound decisions have been made to carefully manage spending. Restraint is combined with the right choices to keep Saskatchewan strong. A growing province, prudent measures and diverse revenue sources have helped Saskatchewan's fiscal picture.

Saskatchewan's 2015-16 Budget has total revenue of $14.28 billion, an increase of 1.2 per cent from last year's budget.

Overall budgeted expense is held to $14.17 billion, a 1.2 per cent increase from the previous year's expense.

The pension accrual adjustment is displayed in a different manner this year, described in more detail in the financial outlook technical paper beginning on page 43.

Saskatchewan's 2015-16 Budget is balanced, with a surplus of $107 million.

INVESTING IN INFRASTRUCTURE

The 2015-16 Budget includes over $3.3 billion in capital investment comprised of approximately $2.0 billion in the commercial Crown sector and $1.3 billion in core Government ministries and agencies.

Saskatchewan Builds – Government's Core Capital Plan

Investing in infrastructure will help keep Saskatchewan strong.

This budget includes a four-year, $5.8 billion commitment – the Saskatchewan Builds Capital Plan – to build and maintain needed infrastructure like schools, health care facilities, municipal infrastructure, roads, bridges and highways.

This budget provides more than $1.3 billion for infrastructure, the largest allocation for core Government capital in the province's history, an increase of almost 50 per cent from last year's budget.

This brings the Government's investment in infrastructure to nearly $8 billion over the past eight budgets – about $1 billion a year on average.

2015-16 Capital Highlights

Investments in transportation infrastructure outlined in the Saskatchewan Builds Capital Plan will keep our economy moving forward.

The 2015-16 Budget commits $581.0 million for capital funding for highways and transportation infrastructure, a 43.4 per cent increase from last year, which includes $211.0 million to begin construction on the next phase of the Regina bypass.

With a total cost projected at well over $1.0 billion, the bypass is expected to be the largest infrastructure project in Saskatchewan's history and is being evaluated as a *Public-Private-Partnership (P3)* project.

This budget provides funding for significant twinning projects, including: $23 million for the twinning of Highway 16, east of Saskatoon to east of Clavet; $11.4 million for twinning Highway 7 from Saskatoon to Delisle; $7.6 million for twinning Highway 39 from Estevan to Bienfait; and $1.2 million for initial work on twinning Highway 6 and 39 from Regina to Estevan.

Interchanges at Warman and Martensville receive funding in this budget, and capital investment includes passing lanes on Highway 7 from Delisle to Rosetown, among a number of other projects.

Including provincial, municipal and federal contributions, over $1.0 billion has been invested in municipal infrastructure since 2008.

Funding of $74.5 million is budgeted in 2015-16 for municipal infrastructure, with plans to invest over $400 million over the next four years.

As the population increases and more families are making Saskatchewan their home, school enrolment in the province is increasing for the first time in over 40 years.

This budget provides $248.5 million for K-12 schools and education capital, an increase of $150.6 million over the 2014-15 Budget, which is the largest ever budget for this sector.

Beginning this year, school divisions will no longer be required to contribute the local share costs of major school capital projects. This policy change means the province will fund 100 per cent of the capital costs for all school projects including those that have been announced but have not begun construction.

In the long run, savings should be gained from a more efficient process.

The 2015-16 Budget includes $157.4 million for the first year of construction of nine joint-use schools, potentially through a P3 procurement model, in the high growth communities of Martensville, Warman, Saskatoon and Regina.

There is also first year construction funding for new Connaught and Sacred Heart schools in Regina and the new St. Brieux School, and funding for a major renovation of Hague High School.

A key contributor to continued growth in the province is a high quality post-secondary education and training system.

In 2015-16, $46.6 million is budgeted for capital in the area of advanced education and training, a $14.0 million increase from the previous year.

Of that amount, $23.6 million is targeted for maintenance capital, $10.6 million is for the Southeast Regional College, $4.5 million will complete the Trades and Technology Centre at Parkland Regional College, and $7.9 million for the Academic Health Sciences facility at the University of Saskatchewan.

Health care infrastructure is a top priority for the people of Saskatchewan.

The 2015-16 Budget commits $256.4 million to health care capital, an increase of $161.6 million from last year.

The budget includes $129.0 million for the Saskatchewan Hospital North Battleford–Integrated Correctional Facility, potentially using a P3 model, and $64.9 million this year for the Swift Current Long-Term Care Centre, a project that is using a P3 procurement model.

Several other major projects are underway, including the new hospital in Moose Jaw, planning for rejuvenation of the Victoria Hospital in Prince Albert, planning for a new acute care centre in Weyburn and the replacement of several long-term care facilities.

The Capital Plan also includes funding for health system maintenance.

Many program areas in government services require infrastructure upgrades, including government buildings, correctional centres, courts, parks, recreation facilities and information technology management systems.

Investments in these assets will support high quality program and service delivery, and the 2015-16 Budget provides $102.0 million in capital funding for this area.

For more detail, the Saskatchewan Builds Capital Plan begins on page 22.

Commercial Crown Corporation Capital

In 2015-16, Crown corporations will continue to invest in infrastructure to help keep Saskatchewan strong.

Capital spending by the Crowns is projected to be $2.0 billion in 2015-16.

Between 2000 and 2007, the Crowns spent, on average, approximately $568 million per year on capital to both maintain and invest in new infrastructure.

Crown capital investment doubled to $1.3 billion annually between 2008 and 2014 and it is forecast that between 2015 and 2020, Crown corporations will invest an average of $1.7 billion each year maintaining existing and building new infrastructure – nearly triple the amount invested between 2000 and 2007.

The major capital projects the Crowns are moving forward on through 2015-16 include $1.2 billion at **SaskPower**, primarily to renew transmission and distribution systems that carry electricity to customers. SaskPower will also expand and renew electricity generation assets to meet Saskatchewan's growing power needs.

SaskTel will invest $313 million to increase the capacity of its wireless network across the province and continue to roll out infiNet, its high bandwidth broadband service to multi-dwelling homes and businesses. Continued investments by SaskTel help keep Saskatchewan people connected.

SaskEnergy is forecast to spend $257 million, primarily to ensure a safe, reliable network through the renewal of its transmission and distribution infrastructure, plus expansion of its gas processing capacity.

In 2015-16, **SaskWater** is continuing its partnership approach, working with municipalities like White City, a growing community that needs water supply infrastructure.

It extends to the private sector as well, with SaskWater and BHP Billiton joining forces to construct a water supply system to help further potash development. SaskWater will also continue its renewal of the Saskatoon South East Water Supply system, important for the existing potash industry and rural communities.

NEW GROWTH TAX INCENTIVES

To help keep Saskatchewan's economy strong, Budget 2015-16 introduces two significant new growth tax incentives for job creation and capital investment.

The Corporation Income Tax Rebate for Primary Steel Production is a new growth tax incentive that supports the *Plan for Growth* commitment to encourage new capital investment.

The rebate will provide a tax incentive for eligible primary steel producers that make a minimum capital investment of $100 million in new or expanded productive capacity.

The Manufacturing and Processing (M&P) Exporter Tax Incentive supports the *Plan for Growth* goal of doubling Saskatchewan's exports by 2020, while also supporting the goal stated in 2012 to have 60,000 more people working in the province by 2020.

The M&P Exporter Tax Incentive will provide tax credits to eligible corporations that expand their number of full-time employees. The incentive will apply to the traditional manufacturing and processing sector and to corporations involved in the commercial development of new economy products for export, including interactive digital media and creative industry products.

The M&P Exporter Tax Incentive will also provide tax credits to eligible corporations that expand the number of their full-time employees who do work typically considered to be head office functions.

More details on these new growth tax incentives are described in the Revenue Initiatives technical paper beginning on page 52.

KEEPING TAXES LOW

Budget 2015-16 contains no personal tax increases and no new taxes.

In total, since 2007, the Government has delivered over $5 billion in tax relief.

This year, consideration was given to increasing Education Property Tax, but ultimately Government's decision was to keep the mill rates at their current level.

Since Education Property Tax reform in 2009, mill rates have only been lowered and have not been adjusted to keep up with inflation, increased enrolments and the increased cost of both teachers' salaries and school operating over the past several years.

In fact, the share of school operating funding from Education Property Tax is currently 35 per cent, surpassing the long-standing goal in Saskatchewan of 40 per cent from property tax.

So while there is no mill rate increase this year, it remains an area of future consideration for the Government in order to ensure a sustainable and equitable funding base for the critically important education sector.

A commitment of the *Plan for Growth* is to keep taxes competitive, for businesses, individuals and families. Budget 2015-16 meets that commitment.

A clear example is illustrated by the fact that in Saskatchewan, a family of four pays no Saskatchewan income tax on their first $49,135 of income – the highest tax-free threshold for a family of four in Canada.

A family of four with $50,000 income has seen its provincial income tax cut by more than 95 per cent since 2007 – from about $2,300 in income tax to less than $100 in 2015.

Lower taxes help keep families strong and help keep Saskatchewan strong.

MANAGING TAX EXPENDITURES

Faced with the challenge of decreasing non-renewable resource revenue, the Government also took difficult but fiscally responsible steps that change tax expenditures.

This budget includes changes to the Active Families Benefit, Graduate Retention Program, Research and Development Tax Credit and the Potash Production Tax.

The Active Families Benefit will be income-tested – available to families with net incomes below $60,000 – to ensure it continues to benefit those families who need it most.

The Graduate Retention Program will become a non-refundable tax credit while remaining the most aggressive youth retention program in Canada. Post-secondary graduates who stay in Saskatchewan will still be able to receive the full amount of their tuition back – up to $20,000 – through a reduction in their provincial income tax. They now will have up to 10 years, instead of seven, to use this tax reduction.

The Research and Development Tax Credit will now be fully non-refundable and the rate is being reduced from 15 per cent to 10 per cent of qualifying research and development expenditures. These changes help maintain a sustainable level of support for innovation and research activities in the province.

Lastly, in this budget, changes are also being made to the Potash Production Tax to defer the timing of capital deductions in order to provide an immediate and temporary increase in revenue from potash companies. The total amount of deductions producers receive from their capital spending will now be utilized over a longer period of time.

This is an interim step that will be followed by a review of the entire potash royalty and taxation regime.

However, any further changes resulting from a review must balance the excellent investment and operational environment for this sector, which is so important to the provincial economy, with the need for a fair return for the owners of the resource, the people of Saskatchewan.

More information on revenue initiatives, as well as Saskatchewan's Tax Expenditures and a 2015 Intercity Comparison of Taxes, Utilities and Housing, is available in technical papers beginning on page 52.

CONTROLLING OPERATING SPENDING

In order to balance the budget without raising taxes, the Government chose to control operating spending.

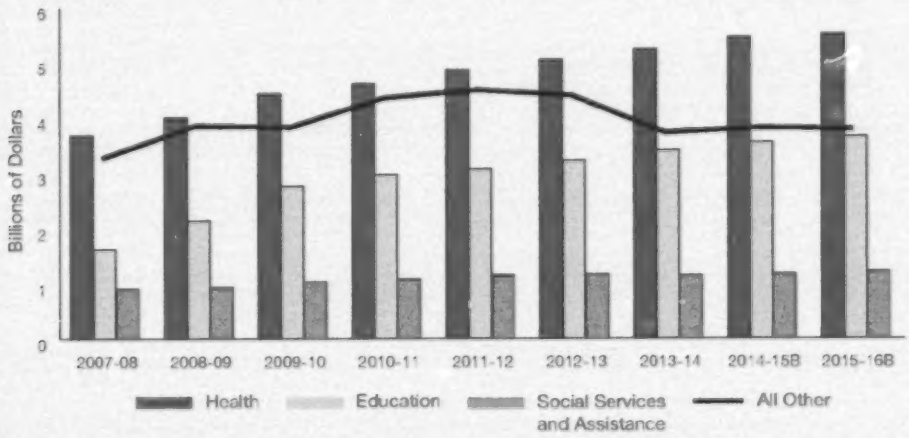
Spending on the broad themes of health, education and social services and assistance accounts for 73.2 per cent of all government expense, or about $10.4 billion, up 1.9 per cent from the 2014-15 Budget of $10.2 billion.

All other areas of 2015-16 Budget expense are $3.8 billion, actually down slightly by 0.6 per cent from spending in last year's budget. Eleven ministries and agencies, including Executive Council (the Premier's office), will see a decrease in their budgets in 2015-16. All out-of-scope employees, including MLAs and cabinet ministers, have had their salaries frozen in 2015-16.

Spending is down from years of six, seven, or eight per cent spending growth or greater – but substantial and sustainable spending levels continue to be supported. This budget is built from a strong base.

Since 2007-08, spending on health, education and social services and assistance is up 67.7 per cent, or $4.3 billion. In addition, expense for all other areas is up 16.2 per cent, or $500 million, from 2007-08 levels.

SPENDING BY THEME



Source: Saskatchewan Budget, Public Accounts, Ministry of Finance

INVESTING IN PEOPLE

Investing in Training Opportunities

Providing incentives for job creation, a key part of the 2015-16 Budget, is one aspect of keeping Saskatchewan strong.

Providing training opportunities to develop a skilled work force is another.

It is a perennial quest, because when asked about the number one challenge to growing a strong business that provides necessary services in Saskatchewan, owners' and executives' nearly unanimous response is finding and keeping skilled workers.

And it all starts with training.

Government is continuing to invest in the training of nurses and doctors in Saskatchewan.

This year, $26.9 million, an increase of 10.1 per cent over last year's budget, will fulfill three medical training commitments, including 100 medical training seats, 120 medical residency seats and 20 new nurse practitioner seats.

The 2015-16 Budget helps Saskatchewan people complete their Adult Basic Education (ABE), with a view to enhancing their employment prospects and quality of life.

This year, 200 additional ABE seats will be added, bringing the total to 8,780, through a total investment of $25.6 million in 2015-16. It means that in 2016-17, Government expects to meet its *Plan for Growth* commitment to eliminate the 2012 ABE wait list.

A $1.0 million increase in the Provincial Training Allowance budget brings the total to $32.0 million, covering living costs associated with the additional 200 ABE seats while learners attend training.

Our diverse economy needs more workers skilled in trades.

Saskatchewan's Apprenticeship and Trade Certification Commission will have 7,000 apprenticeship training seats after 300 are added this year, through an additional $1.0 million bringing the total budget to $23.2 million.

The budget also includes a total of $3.25 million for the Apprenticeship Training Allowance to support the increase in training seats.

And while there is no doubt the 2015-16 Budget challenges all, including third parties, to operate within the realm of restraint – the post-secondary sector has a substantial base from which to deliver programs and services.

This budget provides 1.0 per cent operating increases for universities, affiliated colleges and regional colleges and 2.0 per cent operating increases for technical institutes and federated colleges.

Overall, the 2015-16 Budget includes $661.2 million in post-secondary operating and targeted funding, a reduction of $8.17 million from last year's budget.

That decrease is mitigated by the University of Saskatchewan supporting the 2015-16 expense growth capacity by using $20.0 million from its reserve funds.

Additional operational funding increases of 6.0 per cent to open the new Trades and Technology Centre at Parkland College and 22.4 per cent for the Saskatchewan Indian Institute of Technologies are provided in this budget.

Overall, this budget provides $210.5 million for targeted program funding, primarily for First Nations and Métis organizations and individuals, including significant funding for training and employment initiatives.

This targeted support is in addition to Government's overall investments that benefit all Saskatchewan citizens.

Investing in a Better Quality of Life for People

The *Plan for Growth* sets out that the purpose of growth is to build a better quality of life for all Saskatchewan people.

This budget provides the largest revenue sharing grant ever to municipalities, $265.3 million, maintaining the Government's commitment to provide one percentage point of the previous year's Provincial Sales Tax.

It is an increase of $8.3 million over last year's budget and $138.0 million, or 108.4 per cent increase, since 2007-08. It not only helps municipalities to invest in necessary infrastructure but also to deliver programs and services in our cities, towns and rural Saskatchewan.

Through continued investment, the Government is improving health care and ensuring safe communities exist for children and families while also ensuring Pre-K to 12 and post-secondary education are top priorities.

Investment into programs and services for seniors, those with disabilities and those who are most vulnerable are also priorities in the 2015-16 Budget.

Health expenses include the entire appropriation of the Ministry of Health, spending through the Regional Health Authorities, the Saskatchewan Cancer Agency, eHealth, the Health Quality Council, the Saskatchewan Health Research Foundation, North Saskatchewan Laundry and Support Services Limited and the Physician Recruitment Agency.

This year, total spending for health is projected to increase by 1.1 per cent over last year's budget, to $5.3 billion.

Much of the increase in operational spending in 2015-16 will go to increased compensation for health care workers – the people on the front lines who ensure the system is providing the best care possible to Saskatchewan people.

Regional Health Authorities will receive $3.31 billion, up $55.7 million from last year's budget, for operating funding and targeted initiatives.

Saskatchewan Cancer Agency will provide cancer care services with $137.3 million from this budget, up $1.6 million from last year's budget.

Seniors' care will be improved with $10.0 million in targeted new funding in the 2015-16 Budget, bringing the total to $14.5 million specifically for enhanced seniors' care initiatives. Funding includes a $3.5 million increase dedicated to enhance the Home First program, bringing the total commitment to $8.0 million, and a $2.8 million increase for Dementia/Behaviour Units in Regina and Saskatoon.

In addition, $2.0 million in this budget will provide increased choice and flexibility in care options for home care clients, $1.0 million to improve quality and safety in long-term care, and $0.7 million to develop a new geriatric program in Regina.

Under the Seniors' Drug Plan, eligible seniors 65 years and older pay a maximum of $20 per prescription for drugs listed on the Saskatchewan Formulary.

The 2015-16 Budget lowers the seniors' income threshold to $65,515, aligning with the provincial income tax credit, as opposed to the federal threshold of $80,255. The change better targets the benefit to those with lower income, and will come into effect on July 1, 2015, saving the province approximately $3.0 million.

Education expense includes portions of the appropriations for the ministries of Advanced Education, Education and the Economy.

It also includes spending through Boards of Education, the Saskatchewan Polytechnic, Regional Colleges, and the Saskatchewan Student Aid Fund.

Total spending for education grows 2.8 per cent in this year's budget over last year's, to $3.7 billion.

Operational spending in education includes increases for teacher and non-teacher salaries.

Enrolment growth in the Pre-K to Grade 12 schools is 2,966 students, and the 2015-16 Budget provides $47.69 million, an increase of $8.29 million from last year, to recognize that substantial growth.

Child care operating costs receive an increase of $2.2 million, bringing the total funding in this budget to $52.7 million. The total number of provincially funded child care spaces is over 14,200.

The 2015-16 Budget will see a pause in the expansion of both child care spaces and Pre-K programs, due to the fiscal constraints of this budget.

Both programs have expanded capacity by over 16 per cent in the last three years, with 45 new Pre-K programs and 1,965 new provincially funded child care spaces, for a total operating and capital investment of over $19.0 million.

As noted earlier, post-secondary operating funding of $661.2 million is being provided in the 2015-16 Budget, which will provide operating increases for universities, affiliated colleges, federated colleges, and regional colleges.

Social services and assistance includes the entire appropriation of the Ministry of Social Services, plus portions of the appropriations for the ministries of Government Relations and Justice, plus spending through the Saskatchewan Housing Corporation and the Saskatchewan Legal Aid Commission.

Total spending for social services and assistance is projected to grow by 3.2 per cent this year over last year, to $1.2 billion.

Overall, and across multiple ministries, the 2015-16 Budget includes $485.7 million, up $39.5 million from last year's budget, for new or enhanced programming and increased program utilization for Saskatchewan people with disabilities.

Saskatchewan Assured Income for Disability is increasing benefits and responding to strong program demand this year. In the 2015-16 Budget, $200.4 million, an increase of $26.8 million or 15.4 per cent over last year, is committed to provide people with disabilities an assured income.

Currently, families may receive Saskatchewan Employment Supplement benefits until children turn 18 to help with costs associated with raising a family and going to work.

A change in this budget means effective October 1, 2015, eligibility for the supplement for new applicants will be limited to families with children age 12 and under, to ensure the sustainability of the supplement and ensuring help goes to families with younger children who need it most.

The Saskatchewan Assistance Program, providing social assistance to those in need, is increasing by $6.7 million in this budget, to $139.2 million.

The 2015-16 Budget is providing $160.6 million, an increase of $1.8 million, to help people with complex and emerging needs.

An increase of 1.8 per cent, to $26.45 million in this budget for the Seniors Income Plan (SIP), meets the Government's commitment to increase monthly benefits by $10 per month each year for four years. With this increase effective July 1, 2015, SIP benefits have now been tripled from just $90 a month in 2007 to $270 a month this year.

Saskatchewan can only be strong if it helps its most vulnerable people. Controlling spending, while still making needed investments in priorities for people, keeps Saskatchewan strong.

DEBT MANAGEMENT

Managing debt is a key component of fiscal responsibility.

In September of 2014, Moody's Investor Services upgraded Saskatchewan's credit rating to triple A, the agency's highest level. In its release, the agency said the upgrade "reflects the province's fiscal discipline and sustained low debt levels, which underscores prudent financial management practices."

Saskatchewan now enjoys the highest possible ratings from both Moody's and Standard & Poor's – and, overall, has among the highest credit ratings of any jurisdiction in Canada and North America.

GOVERNMENT CREDIT RATINGS (FEBRUARY 2015)

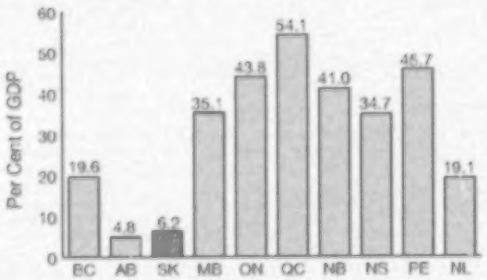
Jurisdiction	Moody's	Standard & Poor's	DBRS
BC	Aaa**	AAA	AA(high)
AB	Aaa	AA[^]	AAA
SK	**Aaa*[1]**	**AAA**	**AA[3]**
MB	Aa1**	AA	A(high)
ON	Aa2**	AA-**	AA(low)
QC	Aa2	A+	A(high)
NB	Aa2	A+	A(high)
NS	Aa2	A+	A(high)
PE	Aa2	A	A(low)
NL	Aa2	A+	A
CA	Aaa	AAA	AAA

[1] *Upgraded from Aa1 (positive outlook) on September 23, 2014.*
[2] *Upgraded from AA+ (positive outlook) on May 24, 2011.*
[3] *Upgraded from AA(low) on October 15, 2009.*

* *Positive outlook or trend*
** *Negative outlook*

Saskatchewan's tax supported debt-to-GDP ratio is estimated to be 6.2 per cent at March 31, 2015, the second lowest debt-to-GDP ratio among the provinces.

2014-15 TAX-SUPPORTED DEBT AS A PER CENT OF GDP



Source: DBRS Adjusted Tax-Supported Debt as at March 31, 2015, Statistics Canada and Conference Board of Canada

Overall, $13.3 billion in public debt, made up of both Government service organization debt and Government business enterprise debt including Crown corporations, remains manageable.

More than $3 billion of Government's General Revenue Fund operating debt has been paid off over the last seven years – resulting in cumulative savings of over $1 billion in interest payments.

Crown corporations continue to invest in infrastructure and the scale of those investments, about $2.0 billion in total in 2015-16, means additional Crown borrowing of $908.4 million in 2015-16 for needed capital projects.

Capital borrowing for infrastructure renewal by revenue generating business entities like SaskPower, SaskTel and SaskEnergy is carefully managed, and done on a financially sustainable basis.

Each Crown corporation has an industry benchmarked financial target, such as the debt ratio, to gauge debt sustainability. Each is in line with those targets.

Saskatchewan Builds Capital Plan Financing

The province's resilient economy, high credit ratings, positive outlook and sound fiscal management provide a strong foundation from which to borrow in order to build.

The population continues to grow, as do capital needs.

Delaying needed projects would likely mean higher construction costs and the infrastructure gap would grow unabated.

As a result, Government will borrow an estimated $700 million specifically for investment in core Government capital during 2015-16.

The Saskatchewan Builds Capital Plan will also be financed through a combination of revenue received for capital purposes, P3s, and available operational cash, including the proceeds from the 2013 sale of Information Services Corporation.

A key aspect of the borrowing plan is the debt repayment plan.

Borrowings are expected to have a term of up to 30 years and will take advantage of market opportunities to minimize borrowing costs. Amounts borrowed to finance infrastructure assets will be separately identified, and at least 2 per cent of the value of the borrowed amount will be set aside and invested each year to ensure sufficient cash will be available to repay the debt as it comes due.

This ensures that maturing debt pertaining to infrastructure assets will be funded.

Borrowing for long-term capital needs, for real, tangible assets like schools, hospitals and highways, Saskatchewan people will enjoy and use for decades, is much different than borrowing for annual operations that deliver services.

The Government remains committed to not borrowing for operations.

CONCLUSION

There is no doubt this year, indeed every year, Saskatchewan faces challenges.

This year, the low oil price has created a particular challenge. In any given year, a flood, a need in health care, obstacles facing those who are most vulnerable can all be seen as particular challenges.

Saskatchewan is strong and our people are resilient.

They meet challenges head on.

Saskatchewan has never been more prepared to meet challenges.

The province's population continues to rise. More people call Saskatchewan home than ever before. The economy is more diversified than ever and businesses continue to show confidence in the future through investment.

Saskatchewan is strong.

This budget will help keep Saskatchewan strong and will ensure that, as always, Saskatchewan's best days are still ahead.